

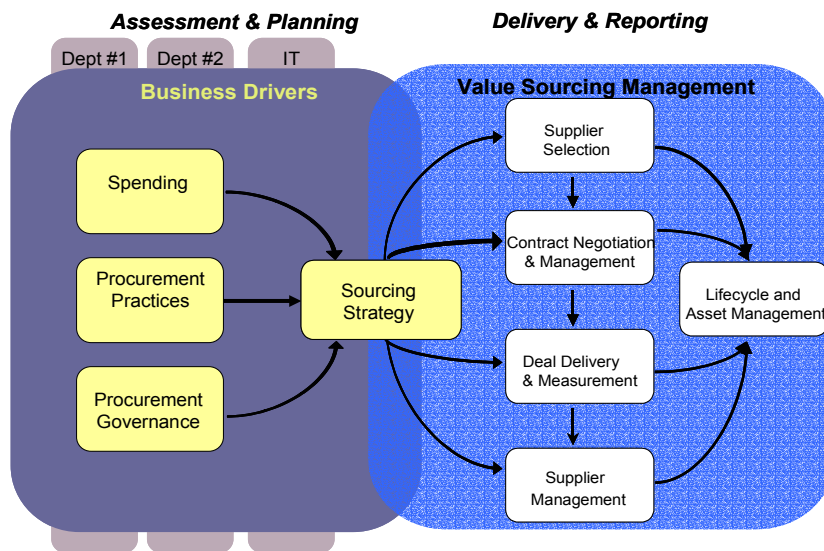
Centralized Procurement and Performance Based Partnering

Initiative

- Develop a plan to implement a **centralized IT procurement process** to maximize leverage across all departments and agencies when buying technology. This centralized approach ensures the procurement of product and services consistent with technology standards with the overall intent of reducing maintenance and support costs. Auditing of the total procurement spend for technology assets enables lifecycle asset management and increases savings from supplier involvement in developing added value for the state.
- Develop an implementation plan for a **performance based partnering strategy** based on the State's primary suppliers and vendors. A sourcing strategy establishes supplier partnering opportunities based on product and services as well as performance measures in order to gain cost savings, reduce the cost of IT business operations and control diverse spending on technology. A Performance Based Supplier Management program must be instituted across all EIP departments and agencies. This program will provide high leverage and cost savings both in the short and long term.

Sourcing Model

The EIP Final Report described a “sourcing framework” which considers the elements of a robust approach to 1) Assessment and Planning and 2) Delivery and Reporting Planning. The model served as a cornerstone of the team's efforts.



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DRAFT for Final Review

Team Mission Statement

The team's mission is to provide input and feedback for an implementation plan for:

- a) *A Central IT procurement process;*
- b) *A Performance-Based partnering strategy; and a*
- c) *Transition Strategy.*

Our goal is an IT procurement process which maximizes ROI for citizens, departments, and clients.

Within changing external and internal environments, continually identify and promote opportunities to:

- a) *Procurement Process*
 - *Leverage IT expenditures across all departments and agencies;*
 - *Ensure standards are utilized reducing maintenance and support costs;*
 - *Recognize the importance of Iowa's vendor community, including targeted small business program;*
 - *Improve lifecycle asset management.*
- b) *Performance-based partnering strategy*
 - *Define vendor partnering relationships based on products, services, and quantified, reported performance measures;*
 - *Encourage supplier involvement in driving added value for the State;*
 - *Results in high leverage and cost savings in the short and long term.*
- c) *Transition strategies and management.*

Activity Level Project Timeline

ID	Task Name	Duration	2005				2006				2007				2008			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Recommend communications programs	3 mons																
2	Conduct Spend Analysis	6 mons																
3	Identify roles among agencies	9 mons																
4	Investigate correlation between current practice & model process	3 mons																
5	Develop new processes	3 mons																
6	Recommend performance goals	3 mons																
7	Recommend transition strategy	3 mons																
8	Recommend a Performance-Based Partnering strategy	3 mons																

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Description of Activities

1. Recommend communications programs between agencies, ICN and DAS	
Description	
<i>An effective, consistent, and continuous communication strategy is critical whenever 'change' is introduced. This activity assures that the broad spectrum of stakeholders is completely engaged in changes in process, practice, and roles / responsibilities resulting from implementing a Centralized IT Procurement Process.</i>	
Risk	
None identified	
Considerations	
<ul style="list-style-type: none"> • Agency and enterprise business process and economic impacts, including enterprise system changes, legacy systems changes, and 'shadow' systems changes; • Service level impacts, performance measures and expectations (SLA's); • Cost projections; • Problem escalation; • Transition approaches (e.g., grandfathering). 	
Expected Outcome:	Documented plan including - at the least - target audiences, frequency of contact, 'type' of contact (face-to-face, memoranda, etc.)
Timeframe:	1 month;
Cost:	400 hours (Internal resources) plus \$25k (3 rd party)

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2. Conduct or provide input to a supplier spend analysis	
Description	
A Supplier Spending Analysis (periodically performed) is the means to quantify the number of suppliers providing product or services to a state or corporation. It seeks to identify those suppliers, to which business units (or agencies) those items are sold, and the total cost of those items. By conducting this analysis, procurement analysts will gain knowledge of Iowa's spending commitments, be able to form judgments regarding 'state-wide' efficiencies and leverage opportunities, and launch specific improvement initiatives.	
Risk	
This team assumes that the Public Strategies Group (PSG) is conducting this assessment as part of its assignment. If this is not true, EIP must seek funding to conduct the assessment.	
Considerations	
<p>Expectations from the PSG assessment include:</p> <ul style="list-style-type: none"> • Data will be extracted from Accounts Payable system(s); and • Categorized (by agency) into – at the least - funding source, supplier, hardware, software, telecommunications, staff augmentation and professional services; • Data regarding number of transactions, face value of each transaction, frequency of transaction (recurring, one-time, etc.) will be provided. <p>It is expected that Iowa staff will review the data to assure comparability among agencies. Additionally, the effort includes review of existing contracts and license detail.</p>	
Expected Outcome:	Rolling 12 – 18 month reports with sufficient detail (after data is rationalized among agencies) to support a Performance-based partnering strategy; Documentation summarizing results of the reviews of existing contracts with observations and recommendations for 'next steps'.
Timeframe:	3 – 6 months
Cost:	8000 hours (internal resources) plus \$200k (3 rd party) plus the fees charged by PSG.

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3. Identify roles and interactions between agencies, a central IT procurement process, and other purchasing groups	
Description	
<i>This activity closely examines WHO does WHAT. In the new processes, it is imperative to ensure that duplication of effort is not occurring and – conversely – crucial tasks are not forgotten.</i>	
Risk	
None identified	
Considerations	
<ul style="list-style-type: none"> • Develop and socialize a draft of a redesigned ‘best practices’ process; • Recommend scope (e.g., all suppliers with multi-agency sales, all single-agency suppliers with sales > \$100k, etc.); • Understand roles and responsibilities of stakeholders; • Document levels and numbers of approvals; list the dollar thresholds and differences in approvals with requisitions within/outside of approved budgets; • Review implications of ‘locating’ the Central IT Process within ITE or as a specialty function within GSE (among other choices); • Suggest staff requirements (numbers, specialties, functions, etc.); • Identify current performance measures and service commitments; • Review past initiatives (lessons learned); • Suggest changes to the Enterprise Procurement System (I/3). 	
Expected Outcome:	A document describing the proposed new processes and approaches. The document should describe roles and responsibilities for all aspects of the purchasing function with the following categories of effort: <u>Responsibility</u> (does a task); <u>Accountability</u> (assures the task is conducted); <u>Consultative</u> (a subject matter expert); and <u>Inform</u> (this person is a stakeholder in the task) clearly depicting (by agency and by person) should be one outcome. Further, other considerations (identified above) and feedback from agencies should be documented and reflected so as to assure that the new processes are accurate, efficient and effective and that the specification reflects organizational, performance, and other components of the change.
Timeframe:	2 – 3 months
Cost:	1500 hours (Internal resources) plus \$75k (3 rd party)

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4. Investigate correlation between current practice and proposed model process.	
Description	
<i>Before changes are introduced into any process (such as integration), it is imperative to understand the current circumstance. By so doing, the “80/20 rule” can be used to accommodate truly ‘unique’ items and transition strategies can be developed. This early activity is ongoing (meaning fine-tuning of performance to continue to meet customer expectations).</i>	
Risk	
Availability of internal staff to conduct the activity	
Considerations	
<ul style="list-style-type: none"> • Refine the proposed processes based on feedback from agencies; • Specify how the process accommodates cash flow, when, how and what to buy and receive product, funding streams, and Non-State funding and requirements; • Design an interview instrument to capture: 1) Methodologies employed at the agencies (RFP, detailed spec writing, drawing against existing contracts); 2) current agency performance standards against goals and how reported; 3) Rule reviews; Waiver processes; and grandfathering considerations; • Identify the Procurement resources in the agencies, their contract subject expertise (such as Microsoft office, Oracle, etc.) and how they divide IT and non-IT procurement responsibilities. 	
Expected Outcome:	Documentation of practice and process for the identified functions.
Timeframe:	6 – 9 months
Cost:	7500 hours (Internal resources) plus \$450k (3 rd party)

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5. Develop new processes.	
Description	
<i>The “ Centralized IT Procurement Process” is a new way of doing business for those in the agencies who approve, fund, spec, contract for, and/or requisition product and services. This activity constructs those processes and sets the stage for their use by the agencies and DAS.</i>	
Risk	
None identified	
Considerations	
<ul style="list-style-type: none"> • Develop and test new processes <p>Expected Outcome: Process maps will be documented, available and reviewed periodically for currency. Process tasks will be defined and documented. Changes to rules and other standards will be described with documented plans to incorporate such changes. Appropriate documentation will be made available on Iowa’s Intranet. A communications plan will describe the means by which the new processes are introduced to a given agency. The processes are accepted by agencies.</p> <p>Timeframe: 3 months</p> <p>Cost: 1500 hours (Internal resources) plus \$75k (3rd party)</p>	

6. <i>Recommend performance management goals and reporting to Business Oversight Group.</i>	
Description	
<i>As the new processes are established, a set of expectations (critical success factors, performance and production goals, etc.) must be articulated. These expectations and an effective means to report results should be made available to whichever oversight group may be appropriate for the Central IT Process.</i>	
Risk	
Need real consequences for non-performance.	
Considerations	
<ul style="list-style-type: none"> • Identify the goals and measures to be reported to an ‘oversight’ group; • Identify the differences between current agency goals and measures and the proposed ones; • Identify a means, frequency, and content by which hard dollar savings are reported to agencies; • Identify the sources of data which will be used to generate performance measures. 	
Expected Outcome:	Current and expected performance goals; Sources of data to support performance identified. Documented (and auditable) hard dollar savings reported.
Timeframe:	1 month
Cost:	300 hours (Internal resources) plus \$25k (3 rd party)

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7. Recommend a strategy by which each agency transitions into the Central IT Process	
Description	
<i>Changes of the magnitude contemplated with a Central IT Process must be carefully planned to assure continued, 'transparent' business support. This activity creates a project plan to accommodate the transition.</i>	
Risk	
None identified	
Considerations	
<ul style="list-style-type: none"> • Establish the criteria suggesting the sequencing by which agencies transition to the new process; • Consider the implications of existing contracts and cooperative agreements and create a strategy to address those implications; • Evaluate cost savings opportunities and other business impacts; • Estimate transition and migration costs and conduct a risk assessment (with mitigation strategies); • Recognize value of existing processes and resources; • Review past practices and lessons learned; • Build a transition project plan (Microsoft Project?), including a 'lessons learned' task following each transition. 	
Expected Outcome:	A documented transition plan will be developed which accommodates – at the least - the considerations noted above.
Timeframe:	3 months
Cost:	1900 hours (Internal resources) plus \$75k (3 rd party)

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8. Recommend a Performance-Based Partnering Strategy.	
Description	
<i>Performance-based partnering strategies define supplier partnering opportunities based on product and services as well as observed (quantified) supplier performance. In order to gain cost savings, reduce cost of IT business operations and control diverse spending on technology, a Performance Based Supplier Management program must be instituted across all EIP departments and agencies. This program will provide high leverage and cost savings short and long term.</i>	
Risk	
Possible systems changes to capture / report this data	
Considerations	
<ul style="list-style-type: none"> • Establish the scope and develop stratification criteria (e.g., ‘commodity’, ‘preferred’ & ‘strategic’ vendors, Iowa’s targeted supplier base such as diversity, Iowa-based, etc); • Notify suppliers of Iowa's intent to centralize; • Determine any linkage issues between Central IT Process and Federal funding and general accounting principles (GAAP) as they may pertain to instituting a partnering program; • Identify tracking requirements for I/3 – or other system(s) – to track this data; • Review prior efforts and lessons learned; • Review reciprocal agreements for data sharing, memorandums of understanding, etc.; • Review and estimate department cost impact. 	
Expected Outcome:	Based on the Supplier Spending Analysis, Iowa’s IT supplier community will be categorized as appropriate. This categorization will result in a documented plan to examine opportunities (priority, ROI, etc.).
Timeframe:	3 months
Cost:	1500 hours (Internal resources) plus \$75k (3 rd party)

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Cultural Considerations

Conducting this planning stage of the EIP project has little to no risk. None have been identified to date for legislative or administrative rules concerns. Some of the identified activities, however, have cultural implication. They are summarized by the following paraphrased comments.

- It is important to align the expectations of different agencies and calm fears, particularly as the fears deal with job loss. This consideration can be mitigated by communications programs and Customer Councils, and establishing trust via performance;
- It is critical that there be a 'consequence' for non-performance (by a Centralized IT Procurement function) and non-compliance (by agencies). No mitigation strategy was suggested;
- There is a history of prior centralization efforts, and the agencies are sensitive both to the perceived failures as well as to the feelings that the program requirements of their particular agencies have been minimized. The group noted an overall attitude of resistance to change. This consideration is mitigated by performance and flexibility;
- This initiative will require significant commitments of time to gather data, participate in the activities, and gain consensus among the stakeholders in the agencies. The length of time required to complete the activities may be elongated due to this issue. No mitigation strategy was advanced.